



**ASSESSMENT OF REWARD MANAGEMENT PRACTICE
IN FINCHA SUGAR FACTORY**

BY

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DECLARATION

I, the undersigned, declare that this thesis entitled “**Reward Management Practice in Fincha Sugar Factory**” is my original work and has not been submitted partially or in full to other university, and all sources of materials used for the purpose of this thesis have been duly acknowledged.

Declared by: Tarekegn Daba Feyissa

Sign_____

Date_____

CERTEFICATE

This is to certify that thesis by **Mr. Tarekegn Daba Feyissa** entitled “**Reward Management Practice in Fincha Sugar Factory**” submitted in fulfilment of the requirements for the degree of Master of Business Administration complies with the regulations of the University and meets the accepted standards with respect to originality and quality.

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ABSTRACT

The purpose of this study is to assess reward management practice in Fincha Sugar Factory. The study has looked at both extrinsic and intrinsic type of rewards, and employee perception toward the rewards. The study has adopted descriptive research design and mixed research approach which has included questionnaire, interview, focus group discussion and document review. Documents of the organization such as annual performance review report and company labour agreement have been reviewed as a secondary source of data. The questionnaire was distributed to 300 respondents (employees) of Fincha Sugar Factory using stratified random sampling method out of the total population of 822. The data was analysed by the help of SPSS (version 20.0) software, and presented using descriptive statistics; frequency tables, percentage & mean values. The study has found out as majority of the employees are not satisfied of the existing pay related reward demanding for further evaluation and improvement. Likewise, the study has found out as majority of the employees are not clearly understanding reward criteria of the organization. The findings of the study will use as helpful tools which could be used to motivate employees for better performance.

Key Terms: Reward Management System, Extrinsic rewards, Intrinsic Rewards.

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ACROMYMS

GTP: Growth and Transformation Plan

EIASM: European Institute for Advanced Studies in Management

HRM: Human Resource Management

CLA: Company Labour Agreement

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Reward management is about the design, implementation, maintenance, communication and evaluation of reward processes which help organizations to improve performance and achieve their objectives (Armstrong, 2006). According to Baratton (1999, as cited in Waruni, 2014) rewards refer to all form of financial returns and tangible services and benefits that employee receives as part of an employment relationship. “Reward is the benefit that arises from performing a task, rendering a service or discharging a responsibility”, (Colin, 1995, as cited in Waruni, 2014).

“Reward is clearly central to the employment relationship. While there are plenty of people who enjoy working and who claim they would not stop working even if they were to win a big cash prize in a lottery, most of us work in large part because it is our only means of earning the money we need to sustain us and our families. How much we are paid and in what form is therefore an issue which matters hugely to us” (Torrington, 2011, as cited in Mulu, 2016).

Reward processes are based on reward philosophies and strategies and contain arrangements in the shape of policies, guiding principles, practices, structures and procedures which are devised and managed to provide and maintain appropriate types and levels of pay, benefits and other forms of reward. This constitutes the financial reward aspect of the process which incorporates processes and procedures for tracking market rates, measuring job values, designing and maintaining pay structures, paying for performance, competence, skill and providing employee benefits. (Armstrong, 2006). According to Armstrong definition, the reward management is derived from the philosophy and objective of the organization. The philosophy and the reward

management strategy would define the reward management benefits according to the objective of the organization.

In addition to that, Byars & Rue (1994) stated that the reward management/organizational rewards consist of the types of rewards to be offered and their distribution. Reward Management/organizational rewards include all types of rewards, both intrinsic and extrinsic, that are received as a result of employment by the organization.

According to Byars & Rue, intrinsic rewards are rewards that are internal to individual and are normally derived from involvement in certain activities or tasks. Job satisfaction and feelings of accomplishment are examples of intrinsic rewards. Most extrinsic rewards are directly controlled and distributed by the organization and are more tangible than intrinsic rewards. Pay and hospitalization benefits are examples of extrinsic rewards.

Though intrinsic and extrinsic rewards are different, they are also closely related. Often the provision of an extrinsic reward provides the recipient with intrinsic rewards. For example, if an employee receives an extrinsic reward in the form of a pay raise, the individual may also experience feelings of accomplishment (an intrinsic reward) by interpreting the pay raise as a sign of a job well done.

1.2 Background of the Organization

The first sugar producing factory in Ethiopia was Wonji sugar factory established in 1951 as a joint venture by Netherland's company named H.V.A and Ethiopian government started production with a capacity of 18,000 Ton per year. The second factory named Shewa sugar factory was planted at same place, Wonji, in 1962 in the same manner. The factories were considered as one, and centrally managed. In 1965, Metehara sugar factory was established by same joint venture mentioned above. The third factory, and the first

fully government owned sugar factory is Fincha Sugar Factory, located west of Ethiopia 350 km away from Addis Ababa. It has started production in 1998. Current production design capacity of Fincha Sugar Factory is 270,000tons of sugar and 20,000m³ of ethanol per annum.

Fincha Sugar Factory organogram is broadly categorised as agricultural operations, factory operations and services. Agricultural operations encompasses the activities of growing cane, harvesting and transporting to factory whereas factory operations looks after receiving the sugar cane as raw material, and processing it to the final product, white sugar & ethanol. Service is responsible for administration, finance, and purchasing activities.

The organization has 3260 permanent, 208 contract and 9496 seasonal employees. The seasonal employees are mainly for cane cutting which are organized under agricultural operations. Their duty is seasonal in nature i.e. for 7 to 8 months per year, and will be layoff for the remaining months. The organization uses both monetary and non-monetary reward systems to motivate, retain and maximize employee productivity.

1.3 Statement of the Problem

Sugar manufacturing is one of the major focus areas in Ethiopia's growth and transformation plan as an important component of industrial development for economic transformation. Fincha Sugar Factory is hence one of the factories where expansion project had been carried out to increase its production capacity from 110,000 ton to 270,000 ton of sugar per annum during the GTP1 period. Despite the fact that the expansion project was completed and commissioned in 2013, actual production of the year 2015/16 was 40.77% of the design capacity. (Source: Annual performance review

report document). The 2015/16 annual performance review report of Fincha Sugar Factory also shows the following results of underperformance.

- Actual produced vs. plan: 51%
- Overall time utilization: 54.04%
- Factory operation time utilization: 27.03%

These performance data described above shows as the organization has produced less far beyond its annual plan, and the factory operational time was less far beyond its target for the specified production year. One of the attributes toward performance of any organization is its reward management system. According to Samuel (as cited in Zhuang, 2013), the success of manufacturing companies in achieving the goals and objectives heavily lies on the employees performance.

According to the 2016 annual performance review of the factory, some of the major problems mentioned were: - employee turnover, lack of management commitment, performance gap in human resource development, lack of conducive working environment and increment of production cost.

Reward management is one of the management functions which help organization to tackle the above mentioned problems, and in turn improve overall performance. This study will assess reward management practice of Fincha sugar factory, and forward recommendations so as to alleviate the problems. The study will help management staff to improve their reward management knowledge, and so do their organisation's reward management practice.

1.4 Basic Research Questions

Considering the importance of reward management and the above mentioned performance problems, the main aim of the study is to assess reward management practice of Fincha Sugar Factory through addressing the following basic research questions.

1. How effectively reward criteria communicated to employees before and after evaluation?
2. How have employees satisfied with the reward management practice?
3. What are the major challenges of the reward management in Fincha Sugar Factory

1.5 Research Objectives

1.5.1. General Objectives

General objective of the study is to assess reward management practice of Fincha Sugar Factory.

1.5.2. Specific Objectives

The researcher will address the following specific objectives:-

- To assess level of employee satisfaction on the reward management practice
- To assess the extrinsic reward practice
- To assess the intrinsic reward practice

1.6 Definition of Key Terms

Reward Management System: A planned and structured approach to reward one or more persons who act in a desirable way. (Ermias, 2017)

Extrinsic Rewards: Financial or tangible rewards which include pay, promotion, interpersonal re-wards, bonuses and benefits (Zaman, 2011, as cited in Waruni, 2014).

Intrinsic Rewards: The psychological reward that is experienced directly by an employee (Stoner & Freeman, 1992, as cited in Waruni, 2014).

1.7 Significance of the Study

The findings of this study can benefit the management of Fincha Sugar Factory to evaluate, and take improvement actions on the current reward management system for the betterment of factory operations productivity. It helps to recommend better reward management system that could increase productivity, reduce turnover, and in turn improve overall performance of the factory. Similar industries can be benefited from the study by adopting the findings to their own case.

The study can also benefit scholars and researchers by adding knowledge on reward management system, and its impact on employee productivity- providing the necessary literature review to carry out further research.

1.8 Delimitation of the Study

Organizational structure of Fincha Sugar Factory is broadly categorized in to agricultural operations, factory operations and services. Scope of the study is limited to the factory operations only, where sugar manufacturing takes place. The organization has reward management system for all divisions. However, the study didn't include agricultural operations and services, and all seasonal & casual employees to make the study manageable within the available limited resource. Permanent and contract employees of the factory operations working at all levels are considered for the study. Both extrinsic and intrinsic rewards have been assessed. The study has used secondary data and information available since beginning of GTP1 period.

1.9 Limitation of the Study

There are limited secondary sources of information published about the target organization for the study. Besides, Fincha Sugar Factory is located 350km away from the residence of the researcher, Addis Ababa, with limited transport facility and sub-standard road condition that limited frequency of travel to the factory for data collection with respect to the time available.

1.10 Organization of the Study

The study has been organized in five chapters. The first chapter deals with the introduction part that includes background of the study, background of the organization, statement of the study, objectives of the study, definition of terms, significance of the study, delimitation and limitation of the study. Chapter two includes related literature review where detail discussion about the topic has been undertaken. The third chapter has presented the research design and methodology. In the fourth chapter data collection, analysis and interpretation have been discussed. The last chapter covers summary of major findings and conclusions drawn from the findings and also the possible recommendations are forwarded by the researcher.

CHAPTER TWO: LITRATURE REVIEW

2.1 Introduction

This literature review on reward management systems encompasses the areas of performance related pay, total reward systems and team rewards. It will reveal the many different types of incentives available to modern day employees as well as the most favourable way to apply those incentives to get the best performance from staff via improvement of employee productivity. Reviewing the current published literature in this field will allow the researcher establish a base, to which further research can be added. This thesis explores the main theories and practices of rewards in the workplace and how they affect employee productivity and the organizational performance, as well as specific cases within organisations explored in the critical review of already published literature. The theory on reward management systems and their effects on performance cannot be evaluated without looking at how work motivation is also affected by these rewards and how that motivation is directly linked to performance. Kanfer et al. (2012) describe motivation in the work sense as a set of processes which are ultimately used to determine a person's actions, and which actions they will use to achieve a desired outcome. This psychological procedure determines how personal effort is used in the 'direction, intensity and persistence' of these actions in relation to your work. How you are rewarded for this work will have a great effect on this direction, intensity and persistence. Ensuring you have the right reward strategy and structure in place in your organisation is vital for the positive performance and motivation of your staff and these rewards systems should be based on what is needed to achieve the desired level of performance and motivation. Adams (1965, as cited in Brain, 2015), describes equity theory as the perception of how you are treated compared to others and in essence that you will be more satisfied and motivated if you think you are been fairly treated. This procedural justice element to how

rewards are interpreted runs deep in terms of performance and motivation. Armstrong (2010, as cited in Brain, 2015) states that “in general, use an evidence-based approach, which essentially means managing reward systems on the basis of evidence rather than opinion, on understanding rather than assumptions, and on an unrelenting commitment to gather the necessary facts to make more intelligent and informed decisions”.

2.2 Theories and Principles of Reward Management System

The concept of reward management has been authored by various academicians regarding the need to manage and drive reward management to the organizations strategic goals. Numerous authors have defined reward management; one of the acclaimed authors has defined the definition of reward management as follows,

'Reward management is concerned with the formulation and implementation of strategies and policies in order to reward people fairly, equitably and consistently in accordance with their value to the organization. It deals with the development of reward strategies and the design, implementation and maintenance of reward systems (reward processes, practices and procedures) which aim to meet the needs of both the organization and its stakeholders. Reward can be regarded as the fundamental expression of the employment relationship.' (Armstrong, 2009)

According to Armstrong, the need to compensate employees' consistently and transparently and most of all to create an employment relationship with the organization is one of the goals of reward management. Furthermore, according to Armstrong reward management deals with the development of reward strategies and the design, implementation and maintenance of reward systems. This can be elaborated by designing the appropriate strategy oriented reward package and implementing the package that was designed and maintaining the reward package with the employees of the organization.

Torrington, Hall & Taylor (2008), suggests that a variety of different terms are used to describe reward that is given by an employer in return for the work carried out by workers. “Compensation” is a term widely used in the American literature, yet the idea of compensation is that it is from loss or injury.

The terms reward and compensation are used interchangeably, but the term compensation is fading away slowly. Since compensation does not accurately describe the reward management. Currently, “Remuneration” is a more straightforward word which means payment according to Torrington et al, (2008). Remuneration encompasses the benefits that are extrinsic and intrinsic in nature and value to the employees.

The organization would need to make sure that employees’ would need to be motivated and stay focused on the Organization goals and vision. Reward management plays a significant role in the employee morale and motivation for the betterment of the overall organization. “Reward” is not a perfect term to use because it suggests a special payment for a special act, but it is best available for describing the whole range of elements which combine to make work “rewarding” and worthwhile rather than “unrewarding” and thankless. Torrington, Hall & Taylor (2008). Accordingly, reward can be satisfactory and personal to employees’ where all organization employees’ are aligned to the reward strategy. The reward strategy should be fair, transparent and competitive.

The reward management processes includes non-financial benefits as well. According to Armstrong (2008), reward management is not just about money. It is also concerned with those non-financial rewards which provide intrinsic or extrinsic motivation. Intrinsic motivation (motivation from the work itself) is achieved by satisfying individual needs for achievement, responsibility, variety, challenge, influence in decision making and membership of a supportive team. Extrinsic non- financial motivation (motivation

through means other than pay incentives) provided directly by the organization is achieved by recognition, skills development and learning and career opportunities.

Organizations must reward employees because, in return, they are looking for certain kinds of behaviour that needs competent individuals who agree to work with a high level of performance and loyalty. Individual employees, in return for their commitment, expect certain extrinsic rewards in the form of promotion, salary, fringe benefits, prerequisites, bonuses or stock options. Individuals also seek intrinsic rewards such as feelings of competence, achievement, responsibility, significance influence, personal growth, and meaningful contribution. Employees will judge the adequacy of their exchange with the organization by assessing both sorts of rewards. Hence, the reward management would include both extrinsic and intrinsic reward as mentioned above. The extrinsic reward is the monetary terms which employees' wait every end of the month and the intrinsic reward is the nonfinancial rewards like annual leave, medical benefits and life insurance benefits and alike, (Armstrong, 2008).

Employee rewards system refers to programmes by different organizations to reward performance and motivate employees on individual and/or group level. In designing a reward system, the organization should specify group or organizational goals to be achieved and the specific behaviours or performance that will attract rewards. By doing so the rewards system will help management shape behaviour of employees and at the same time achieve organization's goal. According to the Chartered Management Institute (2004), "the notion of rewards system is gradually replacing the traditional idea of a standard pay system, as it incorporates all aspects of employee compensation into the package". According to Fay and Thompson (2001) "Rewards systems have a critical role

in determining the organization's ability to attract high potential employees and to retain high performing employees to achieve greater levels of quality and performance”.

According to Thedinmah & Chijioke (2015, as cited in Amanuel, 2017), the reward package is determinant on the type of quality employees' the organization would employ and the retention of its employees'. If the employee has complex responsibility and difficult task the reward package should and must be higher in order for the employee to be committed and perform to the highest potential. If the task is not complex and relatively simple/routine, then the reward package would be not as high paying or above market than the others.

Reward management is one of the strategies used by Human Resource Managers for attracting and retaining suitable employees as well as facilitating them to improve their performance through motivation and to comply with employment legislation and regulation. As a result of these pressures, HR managers seek to design reward structures that facilitate the organizations strategic goals and the goals of individual employees. Reward systems are very crucial for an organization (Maund, 2001).

Rewards include systems, programs and practices that influence the actions of people. The purpose of reward systems is to provide a systematic way to deliver positive consequences. Fundamental purpose is to provide positive consequences for contributions to desired performance (Wilson, 2003). The only way employees will fulfil the employers dream is to share in their dream (Kotelnikov, 2010, as cited in Amanuel, 2017). Reward systems are the mechanisms that make this happen. They can include awards and other forms of recognition, promotions, reassignments, non-monetary bonuses like vacations or a simple thank-you.

When employees are performing very well and rewarded, they get work done. Organizations get more of the behaviour they reward, not what the organizations assume they will get automatically get from employees. Thus when employees surpass their target or exceed their standard they should be rewarded immediately as a way of motivating them. By doing this, employees directly connect the reward with behaviour and higher performance they have attained (Amanuel, 2017).

Effective reward systems should always focus on the positive reinforcement. Positive reinforcement encourages the desired behaviour in organizations. This encourages employees to take positive actions leading to rewards. Reward programs should be properly designed in the organization so as to reinforce positive behaviour which leads to performance (Torrington, Hall & Taylor, 2008). Thus, rewarding and recognizing employees' for their accomplishment and even in troubled times, makes the employees committed and feel valued. In return these feelings would make employees' work harder and meet the strategic or vision of the organization.

Furthermore, according to the Ridner A. & Wilson B. (2003, as cited in Amanuel, 2017), some actual facts about the reward management theory are indicated as follows. This is an excerpt from the internet site. "Reward Management is a motivational practice that businesses use to reward employees for their achievements' and success. The company sets goals and establishes rules for its employees to follow achieve those goals. It makes sure that employees are clearly aware of these goals, rules and the rewards they will get for high performance. All employees follow the same reward system, and the system is organized and just. Using a website to track employee development enables the employee and employer to monitor progress and easily identify when goals are reached and rewards earned," (Ridner A. & Wilson B., 2003)

Thus, reward management retains employees', attracts new employees', and avoids the cost of hiring and training new employees. The organization builds loyalty and honesty in the transaction of the day to day work life. It also creates a healthy work environment, encourages positive attitudes and behaviour for the employees and makes employees more likely to seek advancement in their career for the professional development of the organization and the reward management would advance the company's reputation.

The term reward management is different in various countries. The following clearly illustrates the difference in terminology but not the essence of the reward management philosophy.

According to Ridner A. & Wilson B., pay or reward management is the cornerstone of Human Resources Management. In reality employees or staff of an organization works for pay or compensation for efforts exerted.

'In the US, the term 'compensation' is used to encompass everything received by an employed individual in return for work.' The term although interchangeable, has the same meaning i.e. to reward employees' for the effort that is exerted or belonging for the organization in the case of recruitment or retention.

The term 'reward management' covers both the strategy and the practice of pay systems. Traditionally, human resource or personnel sections have been concerned with levels and schemes of payment whereas the process of paying employees - the payroll function - has been the responsibility of finance departments. There is a trend towards integrating the two, driven by new computerized packages offering a range of facilities. It can be forecasted that the reward management future would be computerized and compensation would be merit based.

All in all, the reward management philosophy is the way forward to HRM and it would be safe to assume that all HRM transactions are based solely on reward management which is based on employee job performance.

The aim of the reward management can be deduced as rewarding people according to what the organization values and wants to pay for. This can be either behaviour based or performance based, the management can send message with compensation on what is expected from employees. Also rewarding people can be for the value that they create i.e. the value of the work that they provide/do.

The aim of reward management can be also to create and develop a performance culture. The reward of the organization can build a strong sense of psychological contract and create a positive working environment. It can also attract the right talent by recruiting and retention according to the market, (Armstrong, 2009). The reward management aims can be categorized into individual aim and organizational aim. Murlis and Armstrong argue that specific aims of reward management can be specified at greater depth for three main areas: the organization, its individual employees and, collectively, any trade union or staff association that represents the employees.

Hence, this categorization represents the structure of organization and how the reward management aims to meet the needs of the organization. Furthermore, according to Murlis and Armstrong (1988), to fulfil its overall aim of helping the organization to attain its goals, the reward management system should be geared to the value of the contributions of the organization's special needs and it should be capable of being easily modified in response to the change that will inevitably take place in a dynamic enterprise.

Individuals want to feel that they are being treated fairly and would thus like to be paid according to their own valuation of their worth. Their valuation will be based on comparisons with the market rates for similar jobs elsewhere and with the pay received by other staff in the organization.

They will expect their salary to increase in line with their own estimate of improvements in their performance and increases in responsibility. They will also want their salaries to keep pace with inflation and in general increases, (Armstrong & Murlis, 1988).

Types of rewards, and set criteria shall be clearly communicated to employees for effectiveness of the reward management system. “We bet you have great benefits and rewards program... and that your employees don't know much about it. As a business leader, you can increase morale, performance, and retention by effectively communicating the total rewards you offer” (Source: Catherine, (2017) retrieved from <https://www.lynda.com.inc>. 20th May, 2018)

According to Byrne, Cushen & Empey, (2013), effective communication and implementation are critical to ensuring that the strategic and operational principles set out are delivered in practice and effectively embedded in the reorganization. They have listed the following communication questions need to be addressed prior to embarking on implementation plan.

- How will the programmes and the link to the business priorities be communicated to managers & staff?
- What management process need to be improved or developed before effective implementation can take place? e.g. performance management
- What legal and contractual implications arise? if any

- What support and training do line managers and others require?
- What technology and administration issues need to be considered?
- Do we have the necessary communication and information tools to implement the desired strategy?
- Can we introduce some elements of innovation in to how benefits are provided?

2.3 Reward Management System in Sugar Industries

Both intrinsic and extrinsic rewards are used in sugar industries for betterment of overall performance. Obviously, reward increases employee productivity which is one of the attributes to increase the overall organizational performance. Descriptive statistical analysis on intrinsic rewards in the research conducted on corporate sugar factories in India by Roshna (2015) has revealed that employee productivity and job accomplishment shows strong relationship with employee performance whereas responsibility, career advancement, learning opportunity showed weak relationship towards employee performance. The research has showed that intrinsic reward plays important role in employee performance though the degree of importance varies.

According to Roshina's correlation analysis on extrinsic rewards on the same study; pay, bonus & benefits have strong relationship with employee performance while promotion has relatively weak relationship. According to his research, maximum employees of cooperative sugar factories prefer monetary rewards irrespective of their position. Based on the interpretation of his research data, he believes that money is important to employee because it satisfies employees most needs, wants & it's a highly tangible recognition for employees. The Study concludes that the rewards system in cooperative sugar factories plays vital role in enhancing employee performance. It's a responsibility of cooperative

sugar factories to develop unique reward strategy with aim of achieving sustainable competitive advantages over private players.

2.4 Major Criteria for Employee Reward System

Major criterion to be considered on employee reward management system is employee performance toward organizational goal which varies based on the nature of the organizations business. According to Mathis & Jackson (2010), the pay structure and incentives reflect performance differences among the employees. Employees who perform satisfactorily maintain or advance their compensation levels more than marginal performers. The bonuses and incentives are based on individual, group, and/or organizational performance. Few organizations totally follow all performance-oriented compensation practices, but the overall trend is toward greater use of pay-for-performance systems, with more and more companies turning to performance criteria to shape rewards for all employees.

2.5 The Impact of Reward on Employee Performance

According to Zaman (2011), human resource is the most important factor which brings competitive advantage by contributing their knowledge, skills and capabilities to the organization. The existing literature reveal that human resource can be preserved within the organization and optimally utilized through inspiring it using different strategies such as working condition, leader's influence, training and development, learning culture, organization reputation and rewards. Among those strategies reward is a key factor, (Agwu, 2013, Heng, 2012 & Yapa, 2002).

According to the Armstrong (2008), performance management is a systematic process for improving organizational performance by developing the performance of individuals and teams. He further explained it is means of getting better results by understanding and

managing performance within an agreed framework of planned goals, standard and competency requirements. Employee productivity is part of employee performance which is in turn part of the whole organizational performance. Organizations measure under employee performance, employee productivity, and job quality, and job accomplishment, willingness to exert extra effort, commitment and goal achievement. (Yapa, 2002, Dharmasiri and Wickramasinghe, 2006 & Taljaard, 2003, as cited in Waruni, 2014)

Mehmood (2013, as cited in Waruni, 2014), points out rewards play a vital role on increasing employee productivity and change the behaviour of dissatisfied employees. As well, as he elucidates, a fair reward system could build job satisfaction and productive behaviour in employees. Reward system helps to improve organizational performance as well as it fulfils other objectives such as legal compliance, labour cost control, perceived fairness towards employees and enhancement of employee performance to achieve high level of productivity and customer satisfaction, (Maire & Nick, 2002, as cited in Waruni, 2014). Carraher et al (2006), advocate that there should be an effective reward system to retain the high performers in the organization and reward should be related with their productivity.

Hartle (1995, as cited in Waruni, 2014), points out that reward is an important part of the feedback loop in performance management. Mehmood (2013), explicates reward system is the requirement of any organization to retain and hire the most suitable employee to gain competitive edge in a competitive environment. He further explains that reward system inspiring the employee to work harder and faster because employee needs motivation to put extra effort on their task. Finally he concludes that reward system should match with the organizational culture and the strategy in order to achieve sustainable competitive advantage.

Reviewing all these empirical studies and findings, researcher can conclude that a good remuneration which ties extrinsic and intrinsic rewards to individual performance bring higher productivity. When management makes decisions on what types of rewards to implement and they should identify the aims of their reward policy. All these observations suggest the need for a strategic reward management system to maintain higher performance.

2.6 Challenges and the Prospects of Practicing Reward System

One of the challenges in the areas of application of reward system is that of group based reward system. In the modern business environment, team performance is becoming more and more critical to organisational success. One of the first questions asked at most interviews today is ‘can you work as part of a team?’ Ensuring employees work both productively and collaboratively as part of a team can be difficult and according to Torrington et al. (2011), if the performance management activity is not defined correctly, employees individual goals may damage the team’s performance and vice versa.

Also from a performance evaluation point of view, it may be easier and less complex for a manager to evaluate a team’s performance as opposed to individual performance. So it could be argued that managing performance and rewards available for achieving the level of performance desired can be complimentary and less time consuming from a monitoring and measuring point of view in a team based structure. However, according to (Armstrong, 2012) it can take time for a team member to adjust to part of their remuneration been determined by the group effort and how long that takes will be determined by the maturity of the team members and how used they are to working together. Although the idea of having a high performing team working

closely and collaboratively together is appealing, the danger is forcing people into a new remuneration arrangement who may already be just getting used to a new way of working.

In some organisations it may be more advantageous to not apply individual performance targets and focus only on collective reward and performance plans. Kramar and Syed (2012), has identified that group rewards or incentives are more likely to yield a collaborative approach to performance and thus be more effective in reaching your shared goals. They also argue that collective incentive schemes may encourage more organisational buy in from employees compared to those schemes of an individual nature. However, this does not mean that team based rewards are not compatible with individual performance related pay schemes as both can be combined with careful attention. As Kerrin's and Oliver (2002), comment in their research on collective and individual improvement activities, the effectiveness of collective or team based rewards can be directly related to the culture of the organisation. As base pay from an individualistic point of view has always been seen as the backbone of compensation, when organisational design moves into supporting teams for productivity, then the applicable collective rewards should be adapted to support this. They found that companies faced challenges in moving from a traditional system of reward based around the individual to a more team based reward structure, but that they could operate simultaneously with success. They also note that challenges also arise where manufacturing processes can be built around the concept of teams, while rewards for continuous improvement activities still remain linked to individual rewards.

A study by Michael D. Johnson (2009, as cited in Amanuel, 2017), argues the effectiveness of a team based reward system in the basic sense. The dynamics of the team play a big part in the “reward interdependence”, i.e. how an individual’s reward is based on the performance of another team member. This study argues the need to introduce more individual incentives within the team based reward structure. “Equal Allocations” become important where reward is not only dependent on overall team performance, but is shared equally between all team members (Johnson, 2009). It suggests team members must help each other to achieve their end result, but they are rewarded differently based on what they have contributed to the team’s performance. He also found that where transparency of team member’s contributions is visible, then it can make the team member more conscious of that contribution, thus increasing the tendency to act in favour of the team. Research into the relationship between empowerment and rewards by Born and Molleman (1996), found that the correct reward system, targeted in the right way, can support in the empowerment of the employee. This was in the context of autonomous work groups where cross training was prevalent. Although ‘incidental bonuses’ were deemed to be effective, applying them to reward the behaviour of the group was considered to be more effective and encouraged an overall feeling of empowerment.

2.7 Trends of Employee Reward Management in Fincha Sugar Factory

Fincha Sugar Factory is one of the sugar factories under the Ethiopia sugar development corporation. All factories under the corporation have been administered by the company labour agreement between labour union and the company management. The followings are some of the reward system incorporated in the company labour agreement.

Employee of the company who fulfils requirement of the job position shall be given priority to compete for any vacant position in the organization. (CLA 2016, Article 16.1). As per the CLA article 20, annual salary increment is based on the factory product plan performance. The increment is a multiple of definite amount which varies depending on the basic salary grade. Accordingly:-

- Group performance of 80 -90% will be rewarded one definite amount salary increment.
- Group performance of 91-100% will be rewarded two times the definite amount salary increment.
- Group performance of above 100% will be rewarded three time the definite amount

The reward related to training and development mentions that an employee who gets educational or training opportunity by his or her own will be sponsored for educational fee if confirmed that the opportunity helps for the success of the organizational success. (CLA, 2016, article 29). The organization also covers medical expense of employees and their family (CLA, 2016 article36). There are other reward schemes that include different type of paid leaves (annual leave, sick leave, mourning leave, maternity leave, wedding leave, academic exam leave & court/police case leave). Besides, the organization provides residence home of different standards depending on employee grade. Managerial staffs have also given a reward of responsibility allowance, telephone allowance, and self-managed vehicle which varies depending on their grade.

2.8 The Experience of Reward System in Developed Countries

2.8.1 Reward System in USA

There are findings on a research entitled “Why American Management Rule the World”, jointly by a group of scholars (Bloom, N., Homkes, R., Reenen, J.v., and Sadum, R., 2011). The findings concluded that American firms are on average the best managed in the world. The research points out one of the secrets of management success in American firms is ruthless at rapidly rewarding and promoting good employees and retraining or firing bad employees. In this literature, the authors have clearly mentioned that effective reward management is a key for success.

2.8.2 Reward System in Japan

According to source from U.S. Library of Congress, one of the aspects of Japanese management is the system of promotion and reward. An important criterion is seniority. Career progression is highly predictable, regulated, and automatic. Compensation for young workers is quite low, but they accept low pay with the understanding that their pay will increase in regular increments and be quite high by retirement. Compensation consists of a wide range of tangible and intangible benefits, including housing assistance, inexpensive vacations, good recreational facilities, and, most important, the availability of low-cost loans for such expenses as housing and a new automobile. Regular pay is often augmented by generous semi-annual bonuses. Members of the same graduating class usually start with similar salaries, and salary increases and promotions each year are generally uniform. The purpose is to maintain harmony and avoid stress and jealousy within the group.

Individual evaluation, however, does occur. Early in workers' careers, by age thirty, distinctions are made in pay and job assignments. During the latter part of workers'

careers, another weeding takes place, as only the best workers are selected for accelerated advancement into upper management. Those employees who fail to advance are forced to retire from the company in their mid to late fifties. Retirement does not necessarily mean a life of leisure. Poor pension benefits and modest social security means that many people have to continue working after retiring from a career. Many management retirees work for the smaller subsidiaries of the large companies, with another company, or with the large company itself at substantially lower salaries.

A few major corporations in the late 1980s were experimenting with variations of permanent employment and automatic promotion. Some rewarded harder work and higher production with higher raises and more rapid promotions, but most retained the more traditional forms of hiring and advancement. A few companies that experienced serious reverses laid-off workers, but such instances were rare.

Another aspect of Japanese management is the company union, which most regular company employees are obliged to join. The worker does not have separate skill identification outside of the company. Despite federations of unions at the national level, the union does not exist as an entity separate from, or with an adversarial relationship to, the company. The linking of the company with the worker puts severe limits on independent union action, and the worker does not wish to harm the economic wellbeing of the company. Strikes are rare and usually brief.

Japanese managerial style and decision making in large companies emphasizes the flow of information and initiative from the bottom up, making top management a facilitator rather than the source of authority, while middle management is both the impetus for and the shaper of policy. Consensus is stressed as a way of arriving at decisions, and close attention is paid to workers' well-being. Rather than serve as an important decision maker,

the ranking officer of a company has the responsibility of maintaining harmony so that employees can work together. A Japanese chief executive officer is a consensus builder.

2.8.3 Reward System in Europe

Reward structures are shifting from being primarily based on direct monetary compensation towards a “total rewards” paradigm, where both intrinsic and extrinsic rewards are balanced. Likewise, there is a change in thinking work/life balance with work seen as a secondary activity in one’s total life. The quality of motivation can be predicted from both the aspects of the social environment including job characteristics and the work climate and individual differences. Leaders and managers can hardly influence individual characteristics but very much on the events in work by influencing job environment and characteristics and organizational climate by leadership practices. (Issues discussed on The 5th European reward management conference held on 13th of October, 2015 organized by EIASM, Brussels, Belgium. Retrieved on April 18th, 2018 from <http://www.eawop.org/news>)

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter of the study deals with the research design and methodology used for data gathering as well as the relevant statistical analysis tools used for analysing the survey results gathered during the study.

3.2 Research Design and Approach

This study has applied descriptive type of research design. A qualitative and quantitative approach of data collection has been applied so as to compensate each methods weakness with strength from another approach. The instrument questionnaire is composed of a five point scale questions. The type of scales used to measure the items on the instrument was continues Likert-type scales (Strongly agree to strongly disagree). Multiple choices and interview questions were also used together with focus group discussion -in consultation with the literature and the advisor. This design is adopted to enable the researcher gather information from a group targeted sample that is part of the main population of Fincha Sugar Factory operations. The sample comprises management staff and non- management staff. The objective was to be able to capture some characteristics such as perceptions, and make relevant inferences from the data collected representative of the entire population.

3.3 Sampling Method

The researcher has used stratified random sampling method to select samples from target population. As mentioned in (Kothari, 2004), stratified sampling results in more reliable and detailed information and enable to get more representative samples. The target population was stratified in to two strata according to the level of responsibility, which is managerial and non-managerial. Managerial responsibility was considered from the top,

operations manager, to foreman level, and the remaining down the line were considered as non-managerial.

3.4 Target Population

The target population of the study is employees of Fincha Sugar Factory operations. The total population of the study are 822, out of which 84 are managerial whereas 738 are at non- managerial level of responsibility.

3.5 Sample Size

The researcher has calculated the total sample size by using sample size calculation formula in Yamane (1967:886). Sample size for respective stratum is determined proportionally.

$$n = \frac{N}{1 + N(e)^2}$$

Where **n** is the sample size,

N is the population size, and

e is the confidence interval. With confidence interval, $e = 5\%$ and population size, $N = 822$

$$n = 822 / (1 + 822(.05)^2) = 270$$

Hence, the sample size for this study is 270 employees

$$\text{Managerial stratum: } (84/822) \times 270 = 28$$

$$\text{Non-Managerial Stratum: } (738/822) \times 270 = 242$$

3.6 Sources of Data and Data Collection Method

The researcher has used both primary and secondary sources of data. Primary data was collected through structured questionnaires, interviews and focus group discussion, while secondary data relevant to reward management were collected from annual performance review report and company labour agreement from Finch Sugar Factory and Ethiopia sugar development corporation archive physically and softcopies via emails.

3.7 Variables and Measurement/Measures

The questionnaire is one of the main tools for collecting data from respondents in the study. It is three pages questionnaires divided into sections and all sections of the questionnaires were developed in English language.

3.8 Methods of Data Analysis

The researcher has used descriptive and inferential statistical data analysis method by the help of SPSS (version 20.0). Descriptive statistics such as frequency and percentage have been used to describe the respondents' characteristics. Parameter of the population has been estimated from characteristics of the sample.

According to (Kothari, 2004), descriptive research studies are concerned with describing the characteristics of a particular individual, or of a group. This analysis method would assist in evaluating the perception of employees toward the reward management practice in Fincha Sugar Factory.

3.9 Reliability and Validity

Reliability

Reliability test is an important instrument to measure the degree of consistency of an attribute which is supposed to be measured. Cronbach's alpha is one of the most commonly accepted measures of reliability. It measures the internal consistency of the items in a scale. It indicates that the extent to which the items in a questionnaire are related to each other. According to (Bhattacharjee, 2012), Cronbach alpha is a coefficient of reliability and it is commonly used as a measure of the internal consistency or reliability. For testing the reliability of the data instrument, Cronbach's alpha was calculated below using SPSS software.

Table 3.1. Reliability Test

Variable	Cronbach's Alpha
Payment	0.847
Benefits	0.693
Promotion	0.692
Employee Empowerment	0.414
Recognition	0.510
Personal Growth	0.510
All variables	0.876

Source: Own data calculated using SPSS, 2018

Validity

Regarding validity, validation of questionnaire item has been carried out through initial consultation of experts to judge the research instrument. The researcher has used construct validity, because of more accurate and meaningful results and the extent to which a measure adequately represents the underlying construct that it is supposed to measure and to ensure that the information which is requesting from the respondents covers all relevant areas and the objectives of the research (Bhattacharjee, 2012). To increase validity of the data collected using questionnaire and interview the researcher seek the data based on the objectives of the research. In addition, the researcher ensures that the interview questions are not leading. The interview question has been viewed by peers and advisor who offered objective suggestions on areas to improve on.

3.10 Ethical Consideration

The researcher has thoroughly explained objective of the research study to the respondents. The researcher made clear that the participation is voluntarily and the information is only be used for ached emic purpose and kept confidential. The inputs of other researchers or scholars were acknowledged and referred.

CHAPTER FOUR: DATA ANALYSIS AND INTERPRETATION

4.1 Introduction

This chapter will discuss the qualitative and quantitative data collected from research respondents using instruments such as structured questionnaire, a face –to- face interview responses from managers, supervisors & process owners of Fincha Sugar Factory, focus group discussion and the secondary data from selected document review. The collected qualitative and quantitative data have been analyzed and interpreted using simple descriptive statistics SPSS version 20 software used to summarize findings. The data have been displayed with tables, frequency and percentage. Lastly, based on the results, generalization has been provided.

4.2 Rate of Survey Responses

For this research different data collection tools were applied to gather information from identified respondents. Accordingly, 300 survey questions were distributed and 270(90%) was returned , a face –to face interview was planned for 5 purposefully selected employees and management personnel's, and all 5(100%) participated in the interview, as well, related document review was done concerning annual production performance and type of rewards & their criteria.

4.3 Demographic Characteristics of Respondents

The demographic characteristics of respondents are presented to inform readers about the composition of respondents. This section provides with a representation of the demographic composition of the respondents. Information on employees of Fincha Sugar Factory operations demographics such as gender, age, educational background, work experience, position and monthly salary are the basic features considered in this study.

Table 4.3.1. Gender of Respondents

	Frequency	Percent	Cumulative Percent	Valid Percent
Valid Male	262	97.0	97.4	97.4
Valid Female	7	2.6	100.0	2.6
Total	269	99.6		100.0
Missing System	1	.4		
Total	270	100.0		

Source: Own field data, 2018

As indicated in table 4.3.1, 262 (97.4%) respondents are male and 7(2.6%) are female. This implies that majority of the respondents are male so that male employees are high in number (dominant). This finding has been supported by interview data reasoning out as; male employees are dominant, due to the laborious nature of sugar processing activity.

Table 4.3.2. Age of Respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 18-29	54	20.0	20.1	20.1
Valid 30-39	92	34.1	34.3	54.5
Valid 40-49	107	39.6	39.9	94.4
Valid 50-59	15	5.6	5.6	100.0
Total	268	99.3	100.0	
Missing System	2	.7		
Total	270	100.0		

Source: Own field data, 2018

Age of respondents from table 4.3.2 above indicates that from the total respondents 54(20.1%) are in the age group of 18-29 years, 92(34.1%) respondents are between ages 30-39 years, 107(39.6%) respondents are with ages 40-49, 15(5.6%) respondents are between 50-59 years. The above data shows that the respondents are in their productive age and matured enough to understand and provide reliable responses about reward management in the organization

Table 4.3.3. Educational Background Respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Below 12th Grade	1	.4	.4	.4
High School or Technical School Graduate	13	4.8	4.8	5.2
Diploma	149	55.2	55.4	60.6
BA/Bsc	106	39.3	39.4	100.0
Total	269	99.6	100.0	
Missing System	1	.4		
Total	270	100.0		

Source: Own field data, 2018

Educational level of respondents from table 4.3.3 above indicates that 1(0.4%) respondent is below 12th grade, 13(4.8%) respondents are high school or technical school graduate, 149(55.4%) respondents have college diploma, and 106(39.4%) respondents are BA/BSc graduate. From this data one can conclude that employees of Fincha Sugar Factory operations have varied educational backgrounds. Majority of the respondents 255 (94.8%) earned a college diploma and degree. The education level attended by respondents is important to deduce their level of understanding about reward management, and its impact on productivity. Hence, it is possible that the responses obtained from the above majority 255 (94.8%) skilled potential intellectual respondents will be a substantial input both for the findings for this study and for further decision makers to improve employee productivity through effective reward management system.

Table 4.3.4 Work Experience of Respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Less than 1 year	12	4.4	4.5	4.5
1-3 Years	31	11.5	11.5	16.0
4-7 Years	43	15.9	16.0	32.0
8-10 Years	34	12.6	12.6	44.6
Above 10 Years	149	55.2	55.4	100.0
Total	269	99.6	100.0	
Missing System	1	.4		
Total	270	100.0		

Source: Own field data, 2018

Work experience of the respondents in Fincha Sugar Factory from table 4.3.4 above indicates that (4.5%) less than 1 year, 1-3 years 31(11.5%), 4-7 years 43 (16%), 8-10 years 34 (12.6%) and above 10 years 149 (55.4%). It can be concluded that 226 (84%) have worked in the factory for four & above years. This implies that majority of the respondents have experienced the reward management practice in the factory, and hence have given reliable response to the questionnaires.

Table 4.3.5. Monthly Salary of Respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Less than 3000Birr	16	5.9	5.9	5.9
3,001-5000 Birr	199	73.7	74.0	79.9
5,001-10,000Birr	41	15.2	15.2	95.2
10,001-15,000Birr	13	4.8	4.8	100.0
Total	269	99.6	100.0	
Missing System	1	.4		
Total	270	100.0		

Source: Own field data, 2018

Table 4.3.5 above indicates that 16(5.9%) respondents earn monthly salary less than 3,000birr, 199(74%) earn 3,001-5,000birr, 41(15.2%) earn 5,001-10,000birr, and

13(4.8%) earn 10, 001 -15,000birr. This implies that majority of respondents, 199 (74%), monthly salary lies within a range 3,001-5000birr.

4.4 Reward Policy and procedure

Table 4.4. Reward Policy & Procedure

My organization has reward policy & procedures

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	17	6.3	6.3	6.3
Disagree	58	21.5	21.6	27.9
Valid Neutral	59	21.9	21.9	49.8
Agree	81	30.0	30.1	79.9
Strongly Agree	54	20.0	20.1	100.0
Total	269	99.6	100.0	
Missing System	1	.4		
Total	270	100.0		

Source: Own field data, 2018

Considering reward policy and procedure, Armstrong (2010,p.41, as cited in Brain,2015) states that an evidence-based approach shall be used, which essentially means managing reward systems on the basis of evidence rather than opinion, on understanding rather than assumptions, and on an unrelenting commitment to gather the necessary facts to make more intelligent and informed decisions”. From the table 4.4 above 135 (50.2%) respondents agree that the organization has reward policy & procedures, 75 (27.9%) respondents disagree, and 59 (21.9%) are neutral. From this one can conclude that about half (50.2%) of the employees believe as Fincha Sugar Factory has reward policy and procedures, whereas the other half (49.8%) don’t believe or uncertain whether the

organization has reward policy & procedures or not. This data can entail there is communication barrier to let employees equally know institutional rule and regulations.

4.5 Communication of Reward Criteria

Table 4.5.1. Communication of Reward Criteria before Performance Evaluation

I am adequately communicated about the criteria for my rewards before performance evaluation

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	33	12.2	12.3	12.3
Disagree	71	26.3	26.4	38.7
Valid Neutral	48	17.8	17.8	56.5
Agree	72	26.7	26.8	83.3
Strongly Agree	45	16.7	16.7	100.0
Total	269	99.6	100.0	
Missing System	1	.4		
Total	270	100.0		

Source: Own field data, 2018

Considering communication of rewards, Catherine, (2017) stated that, “We bet you have great benefits and rewards program... and that your employees don't know much about it. As a business leader, you can increase morale, performance, and retention by effectively communicating the total rewards you offer”. As indicated in table 4.5.1, 117 (43.5%) respondents agreed as adequately communicated about the rewards set criteria before performance evaluation, 104 (38.7%) disagree, and 48 (17.8%) are neutral. This implies that majority of the employees (56.5%), who disagree & kept neutral; believe, and/or uncertain whether or not adequate awareness is given on set reward criteria.

Analysis of data from interview and focus group discussion shows that such awareness is usually created through labour union representatives. The CLA is renewed every three year and formal awareness creation through sessions is carried out during such time once in three years with members of the labour union only. Non-members of the labour union estimated 20-25% of the total employees, and newly hired employees within the 3 years period are not getting awareness as the labour union members do.

Table 4.5.2. Communication of Reward Criteria after Performance Evaluation

I am adequately communicated about my rewards with respect to the set criteria after performance evaluation

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	27	10.0	10.0	10.0
Disagree	50	18.5	18.6	28.6
Valid Neutral	63	23.3	23.4	52.0
Agree	90	33.3	33.5	85.5
Strongly Agree	39	14.4	14.5	100.0
Total	269	99.6	100.0	
Missing System	1	.4		
Total	270	100.0		

Source: Own field data, 2018

As indicated in table 4.5.2. 129 (47.7%) respondents agreed as adequately communicated about the rewards with respect to the set criteria after performance evaluation, 77 (28.6%) disagreed, and 63 (23.4%) are neutral. From this one can conclude that majority of the employees (52%), who disagree & kept neutral, believe as adequate awareness is not given on their reward after evaluation. Tables 4.3 & 4.4 shows as majority of employees are not aware of reward criteria. Analysis of data collected through interview, and focus

discussion also shows as there is a gap in awareness creation of reward criteria to employees.

4.6 Employee Satisfaction

Table 4.6.1 Employee Satisfaction of Reward Management Practice

I am satisfied of the reward management practice

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	57	21.1	21.2	21.2
Disagree	102	37.8	37.9	59.1
Valid Neutral	34	12.6	12.6	71.7
Agree	31	11.5	11.5	83.3
Strongly Agree	45	16.7	16.7	100.0
Total	269	99.6	100.0	
Missing System	1	.4		
Total	270	100.0		

Source: Own data analysed using SPSS software, 2018

Concerning employee satisfaction on reward practice, Adams (1965) describes equity theory as the perception of how you are treated compared to others and in essence that you will be more satisfied and motivated if you think you are been fairly treated. This procedural justice element to how rewards are interpreted runs deep in terms of performance and motivation. As indicated in table 4.5, 76 (28.2%) are satisfied of the reward management practice, 159 (59.10%) are not satisfied, and 34 (12.6%) are neutral. From this we can infer that more than half of the employees are not satisfied of the reward management practice.

According to data collected via interview, employees are not satisfied with reward such as salary and bonus. The criteria for annual salary increment and bonus at Fincha Sugar

Factory are based on annual production performance. However, production plan is practiced from top to down, and usually stretch beyond resources & unachievable. Hence, employees are not getting reward because of unmet annual target which leads to dissatisfaction.

Table 4.6.2. Motivation of Reward Management

Does the reward management system motivate employees toward higher productivity?

	Frequency	Percent	Valid Percent	Cumulative Percent
Neutral	48	17.8	19.6	19.6
Yes	95	35.2	38.8	58.4
Valid No	101	37.4	41.2	99.6
3	1	.4	.4	100.0
Total	245	90.7	100.0	
Missing System	25	9.3		
Total	270	100.0		

Source: Own field data, 2018

Kanfer et al. (2012) describe motivation in the work sense as a set of processes which are ultimately used to determine a person's actions, and which actions they will use to achieve a desired outcome. As indicated in table 4.6.2, 95 (38.8 %) have responded "yes", 101 (41.2%) have responded "no", and 48(19.6 %) are neutral. From this we can infer that less than half of employees are motivated by the reward management system, whereas about 60.8% , who have responded "no" and kept neutral, of employees are not getting motivated with the reward management system. Data from interview also confirm that current reward system is not motivating employees well to improve performance.

Table 4.6.3. Perception on Rewards

	N	Minimum	Maximum	Mean	Std. Deviation
Payment	266	1	5	2.23	1.128
Benefits	266	1	5	3.07	1.000
Promotion	266	1	5	2.51	1.133
Work Condition	270	1	5	2.67	.967
Employee Empowerment	270	1	5	3.54	1.029
Recognition	266	1	5	3.47	.948
Personal Growth	270	1	5	3.48	1.062
Valid N (listwise)	262				

Source: Own field data, 2018

According to Armstrong (2008), reward management is not just about money. It is also concerned with those non-financial rewards which provide intrinsic or extrinsic motivation. The variables of extrinsic rewards and intrinsic rewards have been collectively analysed by the descriptive statistics. Table 4.7 shows the descriptive statistics values exhibits the mean value and standard deviation of the extrinsic rewards and the intrinsic rewards variables. It indicates that the highest mean value is for personal growth which is 3.48. This implies that personal growth reward is better motivating employees than the other rewards, while the least mean value is payment by which employees are least influenced with the value of 2.23 mean where the maximum value 5.

Mean value for payment, promotion & work condition lies less than 3 (average) where the value ranges from 1 to 5 (strongly agree, agree, neutral, agree & strongly agree for the given favourable statements) indicates that the existing management system of these rewards are not positively influencing employees for better performance.

4.8 Major Challenges of Reward Management System

An open ended question “list down the challenges you noticed in your organization towards reward management system?” is provided to the respondents. Below is summary of the response.

- Lack of adequate awareness about the organizations reward policy, procedures & set criteria
- Management leadership skill gap to implement, monitor & evaluate effectiveness of the reward system in place
- Limitation of resources to perform, and meet the criteria for reward
- Lack of appropriate safety devices adversely affecting employee motivation
- No practically applicable performance based rewards in connection with annual production target. This is due to an achievable annual production plan from top down

CHAPTER FIVE: SUMMARY OF FINDINGS, CONCLUSION AND RECCOMENDATIONS

5.1 Summary of Findings

The study has aimed to assess reward management practice in Fincha Sugar Factory based on responses to structured questionnaires, interview questions, focus group discussion and document review. From the distributed 300 questionnaire 270 have been returned with response rate of 90% which is acceptable for data analysis and discussion on the study.

Reward Management Policy & Procedure

The study has found out that Fincha Sugar Factory has reward policy & procedures. This is known only known to half (50.2%) of the respondents as per the response from respondents. Analysis of data from document review, interview and focus group discussion with labour union representative and HR staff have confirmed as the policy, procedure & set criteria is in place.

Communication of Reward Criteria

Majority of the employees (56.5%), don't believe or uncertain that adequate awareness is given to employees on reward criteria before performance evaluation, and 52% don't believe or uncertain that adequately communicated on reward criteria after performance evaluation as well.

According to analysis of responses from the interviewee and summary of focus group discussion, communication channel of such awareness is through labour union representatives that doesn't include about 20-25% non-member employees. Besides, awareness is given through session usually every three years during the CLA renewal.

Thus, the analysis reveals as there is a communication gap in enabling all employees aware of the rewards criteria in specific and institutional rules and regulations in general.

Employee Satisfaction

According to the study, nearly three-fourth (71.70%) of the respondents is either dissatisfied or neutral. 28.2% of the respondents have been found satisfied with the reward management practice. From this we can infer that the reward management practice is not satisfying majority of the employees.

According to analysis of data collected via interview and summary of focus group discussion, employees are dissatisfied of pay reward such as salary and bonus which are the most powerful rewards in motivating employees. The criteria for rewards such as annual salary increment and bonus are based on annual production performance. However, production plan is practiced from top to down, and hardly achievable. Hence, employees are not getting reward because of the unmet target which leads to dissatisfaction.

Perception on Rewards

The variables of extrinsic rewards and intrinsic rewards have been collectively analysed by the descriptive statistics. The highest mean value is for personal growth which is 3.48, and the least is for payment type of reward with the value of 2.23 where the values ranges from 1 to 5 (strongly disagree, disagree, neutral, agree & strongly agree for the given favourable statements). From this we can conclude that employees are better motivated by personal growth than the other rewards, and least motivated with payment. This analysis supports the above mentioned findings of employee dissatisfaction on payment type of reward.

Analysis of responses to the question whether the reward management system motivates employees toward higher productivity or not shows as only 38.8% agree while the other either disagree or neutral. Analysis of data from interview, and summary of focus group discussion also reveals that current reward management practice is not motivating majority of employees.

Major Challenges of Reward Management System

An open ended question “list down the challenges you noticed in your organization towards reward management system” is provided to the respondents. Below is summary of the response.

- Lack of adequate awareness about the organizations reward policy, procedures & set criteria
- Management leadership skill gap to design, implement, monitor & evaluate effectiveness of the reward system in place
- Limitation of resources to perform, and meet the criteria for reward
- Lack of appropriate safety devices adversely affecting employee motivation
- No practically applicable performance based rewards in connection with annual production target. This is due to unachievable annual production plan from top down

5.2 Conclusion

This study has tried to assess level of employee satisfaction, and extrinsic & intrinsic reward management practice in Finchha Sugar Factory. To get these findings, the researcher has collected primary data through questionnaire from 270 sampled employees, interview from purposively selected employees of the factory, and focus group discussion. Data from the questionnaires was analysed using SPSS version 20.0

software to get frequency distribution and descriptive statistics. Secondary data such as annual performance review reports and company labour agreement document have also been used to triangulate the information gathered through primary data collection instruments and techniques. As a result, based on the above mentioned summarized findings, the researcher has reached on the following conclusions.

The study has reached on a conclusion that Fincha Sugar Factory has reward policy, procedures and set reward criteria. However, the criteria were not adequately communicated to all employees before and after performance evaluation. Such communication gap leads to ineffective reward management system. According to Byrne, Cushen & Empey, (2013), effective communication and implementation are critical to ensuring that the strategic and operational principles set out are delivered in practice and effectively embedded in the reorganization.

The study has also tried to reach on a conclusion that the reward management practice is not satisfying majority of the employees. Level of dissatisfaction has been found high on payment reward with respect to annual performance. According to data collected via interview and focus group discussion, employees are dissatisfied of pay reward such as salary and bonus. Criteria for annual salary increment and bonus are based on annual production performance. However, production plan is from top to down, and hardly achievable. Hence, employees are not getting reward for not meeting the set annual target according to criteria-leading to dissatisfaction. This conclusion has also been revealed from descriptive analysis where it indicated as payment reward is the least motivating type of reward while personal growth has been found the most- up on comparing all types of rewards. Additional analysis of responses to the question whether the reward management system motivates employees toward higher productivity or not also shows as

majority of the employees believe as the system is not motivating- leading to a conclusion that the reward management practice is not effective. Adams (1965, as cited in Brain, 2015) describes equity theory as the perception of how you are treated compared to others and in essence that you will be more satisfied and motivated if you think you are been fairly treated. This procedural justice element to how rewards are interpreted runs deep in terms of performance and motivation. (Armstrong & Murlis, 1988) has also discussed that individuals want to feel that they are being treated fairly and would thus like to be paid according to their own valuation of their worth. They will expect their salary to increase in line with their own estimate of improvements in their performance and increases in responsibility. They will also want their salaries to keep pace with inflation and in general increases.

The study has also revealed the following challenges to ensure employee productivity through effective reward management system.

- Lack of adequate awareness about the organizations reward policy, procedures & set criteria
- Management leadership skill gap to implement, monitor & evaluate effectiveness of the reward system in place
- Limitation of resources to perform, and meet the criteria for reward
- Lack of appropriate safety devices adversely affecting employee motivation
- Annual performance based reward criteria is not practically applicable. This is due to unachievable or hardly achievable annual production plan from top down

5.3 Recommendations

Considering the major findings of the study and the conclusions drawn, effort has been made to forward possible recommendations by the researcher for improvement of the current reward management practice.

- Fincha Sugar Factory needs to ensure that all employees are well communicated about the rewards criteria before and after performance evaluation so that the evaluation will become evidence based that can be well understood by the employees.
- The current reward criteria need to be evaluated, and amended wherever necessary with participation of employees or their representatives.
- Participating employees on planning annual production target
- Providing adequate production resources and appropriate safety devices to employees in accordance with the set production target
- Periodically revising payment reward (salary & bonus) not only based on annual performance but also based on inflation and labour market.
- Providing skill development training, based on need assessment, both for management and employees for all in need of it.

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Addis Ababa Science and Technology University

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Appendix-1: Survey Questions

Dear Respondents,

The purpose of this questionnaire is to gather information on “Reward Management Practice in Fincha Sugar Factory” in partial fulfilment of the requirement for Master’s Degree in Industrial Management from Addis Ababa Science and Technology University. Your genuine response has an added value to the success of this thesis. The information will only be used for academic purpose and will be kept confidential. Should there be any harm on respondents due to their participation, the researcher will be liable.

Sincerely,

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Addis Ababa Science and Technology University

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PART I: Demographic Information

Instruction: - Please put a tick “√” mark for your answer inside the given box

1. Gender: Male ☐ Female ☐

2. Age: 18-29 ☐ 30-39 ☐ 40-49 ☐ 50-59 ☐

3. Educational Background: Below 12th Grade ☐

High School Graduate/Technical School ☐ Diploma ☐

BA/BSc Degree ☐ Master's Degree ☐ PhD ☐

4. Experience in Fincha Sugar Factory

Less than one year ☐ 1-3 Years ☐ 4-7 Years ☐

8-10 Years ☐ Above 10 Years ☐

5. Current Position

Managerial (Forman & Above) ☐ Non Managerial (Below Forman) ☐

6. Salary Range

Less than 3000 Birr ☐ 3,001-5000Birr ☐ 5,001-10,000Birr ☐

10,001-15,000Birr ☐ Above 15,000Birr ☐



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Part II: Questionnaires

No	Questionnaires	1	2	3	4	5
		Strongly Agree	Strongly Disagree	Neutral	Agree	Disagree
1	Reward Management					
1.1	My organization has reward policy & procedures					
1.2	I clearly understand reward policy & procedures of the organization					
1.3	I am adequately communicated about the criteria for my rewards before performance evaluation					
1.4	I am adequately communicated about my rewards with respect to the set criteria after performance evaluation					
1.5	I am satisfied of the reward management practice					
1.6	I am not satisfied with the reward management system					
1.7	Other suggestion not raised above:-					
2	Extrinsic Rewards					
2.1	Payment					
2.1.1	The payment system is clearly stated and communicated to all employees					
2.1.2	I am satisfied of my salary with respect to my work value					
2.1.3	Salary increment is fair & transparently managed					
2.1.4	Pay scale of the factory is reasonable					
2.1.5	I am motivated with the organization's payment					
2.2	Benefits					
2.2.1	I am satisfied of the residence house provided by the organization					
2.2.2	I am satisfied of my medical scheme					
2.2.3	I never had a problem with my leave arrangements					
2.2.4	I am motivated of the organization's benefit scheme					
2.3	Promotion					
2.3.1	Promotion is carried out fairly & transparently					
2.3.2	Everyone has equal opportunity for promotion					
2.3.3	I am motivated of the promotion policy & procedures					
2.3.4	Other additional suggestion (if any):-					



No	Questionnaires	1	2	3	4	5
		Strongly Agree	Strongly Disagree	Neutral	Agree	Disagree
3	Intrinsic Reward					
3.1	Working Condition					
3.1.1	I have never overworked					
3.1.2	My working place is ergonomically convenient					
3.1.3	Open discussion is encouraged at my work place					
3.1.4	Basic tools and other resources are sufficiently available					
3.1.5	The organization has implemented appropriate safety, health & environment policy & procedures					
3.1.6	I have a motivating working condition					
3.1.7	Other suggestion not mentioned above:-					
3.2	Employee Empowerment					
3.2.1	I am encouraged to handle problems by myself at my workplace					
3.2.2	I have enough power of decision making					
3.2.3	Other Comments:-					
3.3	Recognition					
3.3.1	I am regularly praised for my good work					
3.3.2	I receive constructive criticism for my work					
3.3.3	I usually credited for my achievement					
3.4	Personal growth and career advancement					
3.4.1	My supervisor takes interest in my career development					
3.4.2	I have access for development opportunities					
3.4.3	I have bright future for organizational leadership					

Can you list down the challenges you noticed in your organization towards reward management system?

1. _____
2. _____
3. _____

Does the reward management system motivate employees?

Yes ☐ No ☐ Neutral ☐

Does the current reward system help the organization in meeting its long term objectives?

Yes ☐ No ☐ Neutral ☐



Addis Ababa Science and Technology University

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Dear Respondents,

The purpose of this questionnaire is to gather information on Reward Management Practice in Fincha Sugar Factory in partial fulfilment of the master's degree in industrial management at Addis Ababa Science and Technology University. Your genuine response has an added value to the success of this thesis. The information is only used for academic purpose and will be kept confidential. Should there be any harm on respondents due to their participation, the researcher will be liable.

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Part III: Interview Questions for_____

1. Are employee reward policy and procedures, and clear criteria in place?
2. Are policies, procedures and reward criteria clearly understood by all employees? If yes, how? If no, why?
3. Does the organization's rewards management practice practically motivate employees? If No is your answer, why? Discuss the reason
4. Are Employees/Labour union involved in setting reward policy and selection criteria? If yes, how? If no, why?
5. How do you rate employees current work condition? Do they feel fairly treated?
6. Are employees satisfied with the reward management practice? Recommendation to improve the existing reward management practice in your organization (if any).
 - Suggestion for Employees
 - Suggestion for Employers
 - Suggestion for institutional and operational activities



Part IV Focus Group Discussion Questions for_____

1. Employees awareness about the organization's reward management system, and set criteria's for each type of rewards
2. Employee satisfaction with the reward management practice
3. Challenges of reward management system in motivating employees
4. Recommendation to improve the current reward management system

Appendix-2: Fincha Sugar Factory Profile



The factory is found in Oromiya Regional State in Horro Guderru Wellega Zone, Abay Chomen District in Fincha Rift Valley around 350 Kilo Meters away from the capital – Addis Ababa. Feasibility study including the topography and soil content of the area was conducted by Bukers Agricultural International Ltd. of Britain since 1978 while the project work had started in 1989. The finance needed to construct the factory was secured from the African Development Bank & African Development Fund; governments of Australia & Spain and domestic banks of the nation. Fincha River which is generating hydroelectric power and then made reach the rift valley to water the sugarcane plantation field of Fincha Sugar Factory finally goes to Nile River as a tributary. The Factory's command area is 67,098 hectares.

The factory started production in 1998 and till July, 2013 the average annual production capacity of Finchaa Sugar Factory was 110,000 tons of sugar while it had the capacity of producing 8,000 meter cube ethanol. Till the last months of 2010 it had been the only factory in the country that produces ethanol.

The factory has carried out expansion projects both on its sugarcane plantation field and its sugar mill. Hence it has come up with a plant of 12,000 TCD design capacity capable

of annually producing 270,000 tons of sugar and 20,000 meter cube ethanol. The Mill's previous design capacity was 5,000 TCD. To acquire and cultivate cane cultivation field capable enough to feed the expanded plant with more than double crushing capacity.

The factory's agricultural expansion project has been carried out around the areas known as East Bank (eastern side of Finchaa River) , Neshie and also on the idle areas found on the Western side of the river. The factory, therefore, in near future will bring its total sugarcane plantation land which had been only 12,170 hectares close to 21,000 hectares. The cultivation land expansion job has enabled the factory to expand its cane covered land to more than 19,000 hectares till 2016. The Factory produces 31 Mega Watt electric powers out of which 10 Mega Watt is exported to the national grid.

Source: Ethiopian Sugar Corporation, retrieved from <http://ethiopiansugar.com> on 20th May, 2018